

USDA National Processing Agreement Pilot

GENERAL CONCEPTS OF OPERATION

August, 2001

Each processor participating in the National Processing Agreement Pilot will be canvassing State Distributing Agencies for the State's involvement in the pilot. States may or may not agree to participate in the pilot. Should a State decide that it wishes to continue its own State processing contract rather than the National processing agreement, the processor will continue to need a separate bond for that State. States/Recipient Agencies will still be able to enter into processing agreements with Single State Processors. Current State processing regulations still control those agreements.

In order to get started, a State need only to declare that they will participate under the National program. They should then notify the Region of the decision and of the inventory level of each commodity at the particular processor. The Region will notify the FNS headquarters. The processor will roll the liability for that inventory into the bond held by FNS through an amendment to its National bond. The processor may then drop the State bond.

The National Processing Agreements will be one year contracts that may be extended at the option of FNS for two additional one-year periods.

The National Processing Agreement is based on the ACDA State master prototype contract. State specific Article 35 requirements of current State processing agreements have been eliminated.

Each National Processing Agreement will contain a set of End Product Data Schedules (EPDS) that were approved at the National level for formulation and yield information only. Should a State request an additional EPDS from a processor, that EPDS would be submitted for approval to Headquarters by the processor.

The processors in the pilot have been approved for substitution for all commodities that they process. However, processors are not required to substitute. In the event that a processor decides to use the substitution option, the 100% yield concept applies.

All pricing issues will be between the processor and the State/recipient agency subject to all applicable Federal, State, and local procurement law and regulations. The currently approved value-pass-through systems of rebates, direct discounts, and fee-for-service will remain viable.

The November 15th , 2000 commodity file will be used to establish the contract value of each commodity in the pilot.

Product distribution under the National Processing Agreement will remain as it currently exists under State processing contracts..

CPA performance audits will still be required. Should the National Processing Agreement Pilot be adopted, the Audit Bulletin, which is published by the Office of Inspector General, will be revised to accommodate this new method of doing business. FNS will establish a taskforce to review and revise the current bulletin.

Under the National Processing Agreement, States will still be responsible for resolving any issues with each processor. FNS will hold one bond to cover all State inventories. Should it be necessary to call a bond or portion thereof, the responsibility will be at the Federal level.

All monitoring will remain the same as with State processing contracts. The State will get a monthly performance report detailing account activity for that State but those reports will also come to FNS. The processor should list incoming Delivery Orders in Section A of the performance report so that States may track their inventories.

Any proprietary information provided by the processor will be so designated and will not be subject to FOIA requirements.